

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 6333
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

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E.O. 11652: NA
TAGS: ECON, CA
SUBJECT: OPENING STATEMENTS BY PREMIERS AT FEDERAL/
PROVINCIAL ECONOMIC SUMMIT

1. SUMMARY: STATEMENTS BY PREMIERS FEB 13 REVEALED
GENERAL CONSERVATIVE BENT ON ECONOMIC POLICIES ISSUES,
CALLING FOR LIMITS ON GROWTH OF PUBLIC SECTOR, LIMITS ON
PUBLIC SECTOR COMPENSATION, LESS GOVERNMENT REGULATION
AND RED TAPE, FEWER "BANDAID" MAKE-WORK PROJECTS, AND
LESS GOVERNMENT RESTRAINT ON PRIVATE SECTOR INVESTMENT,
ESPECIALLY IN ENERGY RELATED PROJECTS. QUEBEC AND THE
ATLANTIC PROVINCES PRESSED FOR PROJECTS TO CREATE JOBS.
REGIONAL DIFFERENCES WERE APPARENT AS EASTERN CANADA
WANTED TO BRING JOBS TO PEOPLE WHILE ALBERTA WANTED THE
REVERSE. MOST PROVINCES COMPLAINED TARIFF AND TRANSPORT
POLICIES FAVOR ONTARIO. WESTERN PROVINCES WANTED LESS
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IMPEDIMENT TO FOREIGN INVESTMENT AND CLEARER POLICIES
TO ENCOURAGE PRIVATE SECTOR. END SUMMARY.

2. FOLLOWING HIGHLIGHTS PREPARED OPENING STATEMENTS BY
PROVINCIAL PREMIERS AT FIRST MINISTERS' MEETING FEBRUARY
13. DAVIS (ONTARIO) LIKE MANY OTHERS STRESSED NATIONAL
FISCAL RESTRAINT AND REDUCTION OF GOVERNMENT IMPEDIMENTS

TO PRIVATE INVESTMENT BUT ALSO PROPOSED SERIES OF DIRECT GOVERNMENT PROMOTION AND INVESTMENT PROGRAM, ESPECIALLY IN ENERGY. HE PROPOSED FEDERAL "BUY CANADIAN" PROMOTION PROGRAM TO ENCOURAGE CONSUMERS TO BUY CANADIAN PRODUCTS, RATHER THAN, "FOR EXAMPLE", IMPORTED PRODUCTS OF EQUAL PRICE AND QUALITY. HE SAID CANADA (READ ONTARIO) SHOULD RECEIVE ITS "FAIR SHARE" OF NEW INVESTMENT BY AUTO COMPANIES, PROPOSED NEW COMPETITION LEGISLATION SHOULD BE SHELVED FOR AT LEAST FIVE YEARS TO IMPROVE THE BUSINESS CLIMATE, SUGGESTED A FRESHWATER SHIPBUILDING PROGRAM, AND RENOVATION OF RAILROAD BEDS AND ROLLING STOCK, ESPECIALLY IN THE QUEBEC-WINDSOR CORRIDOR. ALONG WITH BENNETT (B.C.) AND LOUGHEED (ALBERTA) HE ENDORSED SOME INSTITUTIONALIZATION OF THE CONSULTATIVE PROCESS BY CREATING A NATIONAL COUNCIL ON THE ECONOMY MADE UP OF FINANCE MINISTERS WHO WOULD REPORT TO FIRST MINISTERS. ONE OF THE FUNCTIONS OF THIS GROUP HE SUGGESTED WOULD BE AN "IMPLICIT NATIONAL INCOMES POLICY" TO FORECAST GROWTH AND ANNOUNCE APPROPRIATE GUIDELINES FOR PERSONAL AND BUSINESS INCOMES.

3. DAVIS ALSO SAID GOC SHOULD DECIDE ON AND THEN DEFEND A "NATURAL RANGE" FOR THE CANADIAN DOLLAR EXCHANGE RATE IN ORDER TO HELP BUSINESS CONFIDENCE AND HELP CANADA'S ABILITY TO RAISE CAPITAL ABROAD.

4. QUEBEC PREMIER LEVESQUE SAID MOST NATIONAL FISCAL,
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MONETARY, COMMERCIAL, AND ADMINISTRATIVE POWER HAS SYSTEMATICALLY FAVORED REGIONS OTHER THAN QUEBEC AND THE MARITIMES. MANPOWER WAS INEVITABLY DISPLACED TOWARDS THE PRIVILEGED AREAS. MOST QUEBECKERS REJECT THIS MODEL, HE ASSERTED, OUT OF THE NATURAL DESIRE TO LIVE DECENTLY AT HOME. FEDERAL POWER SHOULD ENCOURAGE ECONOMIC ACTIVITY WHERE THE MANPOWER IS AVAILABLE. (IN CONTRAST, ALBERTA PREMIER LOUGHEED CALLED FOR LIFTING OBSTACLES TO LABOR MOBILITY).

5. LEVESQUE ADVOCATED FULL DEDUCTIONS OF (PROVINCIAL) ROYALTIES PAID BY COMPANIES (FROM FEDERAL TAX); REDIRECTION OF UNEMPLOYMENT FUNDS TO SUBSIDIZE MINES WHICH WOULD OTHERWISE LAY OFF WORKERS; FEDERAL PROGRAM FUNDING RATHER THAN PROJECT FUNDING IN AREAS SUCH AS PUBLIC HOUSING; AND SPEEDING UP OF SLOW FEDERAL DECISION MAKING PROCESSES IN DISTRIBUTING FUNDS. CONSIDERABLE SUMS COULD AND SHOULD BE RETURNED UNCONDITIONALLY TO PROVINCES WHICH ARE BETTER ABLE TO DISBURSE THEM, HE SUGGESTED.

6. PREMIERS OF FOUR ATLANTIC PROVINCES STRESSED THEIR DEPRESSED ECONOMIC CONDITIONS, THEIR INABILITY TO CONTROL

THEIR OWN ECONOMIC DESTINIES, AND DEPENDENCE ON TRANSFER
PAYMENTS AND FEDERAL PROGRAMS, NOT ALL OF WHICH WORKED
TO THEIR ADVANTAGE. MOORE (NEWFOUNDLAND) SAID WITH
200 MILE LIMIT FISHING INDUSTRY HAS GREATEST GROWTH
POTENTIAL OF ANY SECTOR, BUT FISHERIES POLICY WAS CON-
TROLLED IN OTTAWA AND SHOULD BE DELEGATED TO THE PRO-
VINCES. LABRADOR HAS 4,300 MEGAWATT HYDRO-ELECTRIC
POTENTIAL, BUT DEVELOPMENT WAS HELD UP BY FEDERAL ENERGY
POLICY WHICH CONFINES NEWFOUNDLAND TO ONE CUSTOMER --
HYDRO-QUEBEC -- AND DOES NOT ALLOW THE PROVINCE FLEX-
IBILITY TO SEEK NEW CUSTOMERS AND ARRANGE PROJECT

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FINANCING. HE SUGGESTED THAT IF THESE PROBLEMS AND
THE DISPUTE WITH HYDRO-QUEBEC OVER ACCESS TO POWER FROM
CHURCHILL FALLS COULD BE RESOLVED, A START COULD BE
MADE TO THE GULL ISLAND AND MUSKRAT FALLS HYDRO PROJECTS.

7. REGAN (NOVA SCOTIA) CAME OUT FOR IMMEDIATE JOB
CREATION PROGRAMS AND LARGE PUBLIC WORKS PROJECTS,
INCLUDING FUNDY TIDAL POWER PROJECT, COAL DEVELOPMENT
IN CAPE BRETON AND REHABILITATION OF THE SYDNEY STEEL
PLANT. HE WAS NOT OPPOSED TO REIMPOSITION OF WAGE AND
PRICE CONTROLS IF NECESSARY TO STEM INFLATION ARISING
FROM NEW SPENDING. HE ALSO ATTACKED GOC TARIFF AND

TRANSPORTATION POLICIES WHICH HELP SOUTHERN ONTARIO AT THE EXPENSE OF OTHER REGIONS AND CALLED FOR "FUNDAMENTAL CHANGES" IN THE CANADIAN CONSTITUTION, WHILE ALSO OPPOSING SEPARATION WHICH, HE SAID, WOULD RESULT IN SEVERE ECONOMIC DAMAGE FOR ALL OF CANADA.

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8. CAMPBELL (P.E.I.) CALLED FOR A REVERSAL OF CENTRALIZATION INTO URBAN CENTERS AND NEW POLICIES TO SUSTAIN POPULATIONS IN SMALL TOWNS AND VILLAGES WHERE COSTS OF SOCIAL SERVICES ARE LESS.

9. STRONGEST OPPOSITION TO GROWTH OF GOVERNMENT AND RESTRICTIONS ON PRIVATE SECTOR CAME FROM WESTERN PREMIERS. LOUGHEED OF ALBERTA SAID NATIONAL ECONOMIC POLICIES CANNOT BE EQUATED WITH FEDERAL GOVERNMENT ECONOMIC POLICIES BUT MUST BE LEFT TO ENTREPRENEURS. HE SAID EXPECTATIONS ON ROLE AND CAPACITY OF GOVERNMENTS SHOULD BE REDUCED, PUBLIC SECTOR COMPENSATION INCREASES HELD BACK, REGULATIONS REDUCED AND TARIFFS ELIMINATED WHICH PROP UP UNCOMPETITIVE INDUSTRIES.

10. LYON (MANITOBA) AGREED WITH LOUGHEED THAT OBSTACLES TO FOREIGN INVESTMENT IN CANADA SHOULD BE REDUCED AND THE "ILL-CONCEIVED" FOREIGN INVESTMENT REVIEW ACT SHOULD BE SET ASIDE. HE ALSO SAID PROVINCIAL GOVERNMENTS SHOULD HAVE A "CLEAR FORMAL AND DIRECT VOICE" IN THE DEVELOPMENT OF MONETARY POLICIES, INCLUDING THE SETTING OF MONETARY GROWTH TARGETS AND ASSESSING THE REGIONAL IMPACT OF MONETARY POLICY, SINCE CHANGES IN INTEREST RATES AFFECT DIFFERENT PARTS OF THE COUNTRY IN DIFFERENT WAYS. HE ALSO PROPOSED THAT PROVINCIAL SECURITIES SHOULD BE USED AS SECONDARY RESERVES BY CHARTERED BANKS AND THAT A CAPITAL ISSUES COMMITTEE SHOULD BE SET UP TO MONITOR ALL BORROWINGS IN FOREIGN MARKETS SO THAT BORROWING DECISIONS CAN BE MADE WITH COMPLETE INFORMATION AS TO OTHER BORROWING PLANS ACROSS CANADA.

11. BLAKENEY (SASKATCHEWAN) STRESSED NEED TO REMOVE

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GOVERNMENT IMPEDIMENTS SO THAT MAJOR NEW INVESTMENT PROJECTS COULD GO FORWARD, INCLUDING "MASSIVE" REBUILDING OF RAILROADS, GRAIN HANDLING FACILITIES, A HEAVY OIL PLANT AT LLOYDMINISTER, A HYDRO-ELECTRIC PLANT ON THE

SASKATCHEWAN RIVER, AND AN EXPANDED STEEL PLANT IN REGINA. AS DID OTHERS, HE CALLED FOR REDUCED FEDERAL TAXATION ON RESOURCE COMPANIES WHICH "CROWD OUT" PROVINCIAL TAXATION, AS WELL AS FOR "CLEAR RULES" ON NON-CANADIAN OWNERSHIP OF URANIUM AND URANIUM EXPORT POLICY.

12. BENNETT (B.C.) ECHOED STATEMENT THAT ROLE OF GOVERNMENTS SHOULD BE REDUCED, AND CALLED FOR ESTABLISHMENT OF A COUNCIL OF FIRST MINISTERS MEETING AT LEAST TWICE YEARLY TO INSURE IMPLEMENTATION OF ECONOMIC POLICIES.
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